

# Applications of the InnoVantage Grid

## *GVI's Innovation Map*

Donna C. L. Prestwood & Paul A. Schumann, Jr.

Glocal Vantage, Inc.

### The InnoVantage Grid

The InnoVantage Grid is a tool useful to characterize innovation. It provides a powerful language for innovation that transcends application, industry and function. It is unique, comprehensive and inclusive.

There are two different categories of innovation -- nature and class. The nature of innovation is its focus -- product, process or procedure. In general, product innovations relate to things interacting with things. Process innovations relate to people interacting with things. And, procedure innovations relate to people interacting with people.

The second category of innovation is its class -- incremental, distinctive or breakthrough. Breakthrough innovation is the first of its kind. Distinctive innovations are others like the breakthrough but are distinctively different. Incremental innovations are small changes on distinctive innovations. By combining these two categories together a matrix of nine different types of innovation is created. We call this matrix the InnoVantage Grid.

### Strategic Competitive Analysis -- Industry Level

The InnoVantage Grid is an excellent tool for mapping "the long-term sword fight" between companies within an industry. Richard Foster describes in his book *Innovation: The Attacker's Advantage*, various thrusts and counter thrusts that companies in pitch battle with each other make. The InnoVantage Grid not only displays in graphic terms what happens, but it also points to the weakness of each thrust. This grid helps an innovation strategist to understand at the "gut" level that every innovative strategy implemented necessarily leaves the door open for a counter thrust. If you are the attacker you will immediately understand the weakness of the opponent. And if you are the innovator on top, with this grid you can see what your next series of potential options are, and which of these are the most beneficial.

For example, consider the Personal Computer Industry:

1. The PC industry effectively began with product introductions from companies like Commodore and Apple. From customer's perspective these were breakthrough product innovations.
2. IBM's contribution to this fledgling industry was the open systems architecture. This allowed the product to be developed differently and allowed the market to be expanded dramatically. For the PC industry this was a breakthrough process innovation. IBM's product and procedures were similar to their competitors, but distinctively different.
3. The open architecture allowed all of the so-called clones to enter the market. They largely focused on an incremental innovation strategy aimed at reducing costs.

Glocal Vantage, Inc., PO Box 26947, Austin, TX 78755-0947, (512) 302-1935,  
[info@glocalvantage.com](mailto:info@glocalvantage.com), [www.glocalvantage.com](http://www.glocalvantage.com)

4. One of the clones differentiated itself by focusing on a breakthrough innovation procedure. Dell institutionalized the mail order and delivery to the customer of their PC purchases. From the customer's view point, the idea of placing an order for an entire system via telephone and credit card, then having the system delivered promptly to their door by UPS or Federal Express was a breakthrough in customer service.
5. The next major innovation strategy was the development of the laptop computer, a distinctive product innovation.
6. Microsoft's introduction of Windows '95, a distinctive product innovation, took away all the market advantage that Apple based computers previously had.

## Market Strategy Development

The 3M Company - Traffic Control Materials (TCM) Division found itself sitting in an incremental product, process & procedure innovation pattern with all of its chemical based technologies. A strategic market analysis showed that they needed to move toward electronic and software systems based products. This move required an innovation profile that is substantively different. The overall driving force for change for TCM was the development of Intelligent Traffic Systems, which is substituting for the traditional pavement markings, signage and vehicle identification. The new required pattern of innovation requires a heavy component of distinctive and breakthrough product, distinctive process, and distinctive and breakthrough procedures. The InnoVantage Grid, together with the other methodologies described in Innovate! were used to help 3M - TCM develop strategies and plans for its entry into the new marketplace.

## Internal Venturing

IBM's first attempt to create an Independent Business Unit (IBU) based on the concept of intrapreneurship was "a learning experience" that created a great deal of stress for the people living the experience. And, it created a number of learnings, practices and procedures that were later applied to other very successful IBM internal ventures. The IBM Instrument Systems began its 17 year odyssey first as a "skunk works" operation sponsored by a second line IBM manager that grew to a wholly owned subsidiary in just ten years, to being sold off in 1987. The InnoVantage Grid associated with this example shows the very first product offerings coming out of the nascent IBU.

One of the purposes of IBU's in general is to change the way that "things are done around here." It has as much to do with culture development as with product development. The culture of the IBU was schizophrenic, causing considerable stress. The IBU was embedded in a culture that was focused on incremental product and procedure. The technologists from the "skunkworks," developed a culture strong in breakthrough product and procedure. The technologists prevailed, and the first products that came out of Instrument Systems were breakthrough products with breakthrough procedures. However, the market was more interested in incremental product innovations, breakthrough processes and distinctive procedures. What the customers were looking for was a product a little better than what they already had, but at a significantly reduced cost, and with terms and conditions that were more customer friendly. As a result, the initial product offerings failed, thus putting the IBU in a disadvantageous position for its continued success.

## External Venturing

One of Inc.'s 100 Fastest Growing companies wanted to sustain its growth. A company in the telecommunications field, it had a reputation for quality products and services. Workmanship and professionalism were the prime focus for their activities in a segment of the market not known for either. Dozens of letters from happy clients greeted each visitor and employee as they went in the front door of the business. Quality charts decorated all the walls on hundreds of parameters that they tracked weekly. They had reached a growth rate of 40 to 50% per year in revenue and the owners of the company, the principle stakeholders, and the stockholders, wanted to continue this record. This growth and quality achievement had been driven by an incremental product, process, and procedure strategy that had been very successful.

The owners of the company wanted to leave the day to day operations and hired an executive team. The executive team were not, in general, stockholders. A few had bought some shares of stock upon being hired. As they began to take control of the company, problems began to arise between them and the owners. The executive team correctly realized that in order to continue the growth, a distinctive innovation strategy must be followed. Distinctive innovations expand market share and create new markets. Also, and this was the real problem, a distinctive innovation strategy requires more money. The owners were not willing to put any more money into the company, and they were not willing to give up financial or managerial control that would result from the acquisition of funding from venture capitalists or a public offering.

The result was a series of confrontations as the continued growth began to use up the available capital. This resulted in the firing of many of the executives and the return of some of the owners to day to day operational management. The remaining executives hung on until they could find other jobs. When they found jobs, they left. The company is now restructuring itself around new goals and management, and is no longer growing as fast as it was.

## Strategic R&D Direction Assessment

Five years after the breakup of AT&T, the so-called baby bells were well on their way to making their own strategic R&D decisions. Several of them have established internal capabilities. One of these companies had gone to great efforts to create and staff a world-class R&D facility. However, executive and corporate management had started to grow impatient because no miracles had been forthcoming. Upon looking at the stated strategic vision for the R&D organization and comparing it to the actual on-going projects and resource allocation, including the recognition and reward policies, it became very evident that the organization had a problem.

The stated R&D vision was to develop breakthrough product innovations. Every project, all personnel policies, including the recognition and reward systems clearly pointed the R&D personnel to focus only on incremental product innovations. Not surprisingly, this came as a shock to the management.

There are two issues related to this innovation profile. First, it obviously did not agree with the stated intent of the R&D function. Second, the innovation profile was focused on product innovations only. In today's environment especially, this is a narrow view of innovation. Quite often competitive differentiation is made through process and procedure innovations. As a result, the R&D function was never able to recover as they were unable to deliver the products and services that, in the minds of the corporate executives, justified their expense. The corporation is now heavily invested in a strategy of acquisitions and the R&D function has become one primarily of contract development and management.

## **New Strategic Directions vs. Culture (Department of Energy)**

The National Laboratories since their inception have been largely focused on creating breakthrough product innovations. In the current environment they, as have many other organizations, have been forced to reexamine their missions. The new focus for these laboratories has been created largely by politicians and national ideals that want all of the good work that has been done in these institutions to be shared with U.S. industry. Thus, the laboratories are more and more being asked to transfer their technology by collaboration and joint work with industry. This type of activity requires more breakthrough procedure and process innovation. The culture of the laboratories, as well as that of the Department's staff in Washington, is still steeped in the command and control mind set. They are comfortable only with traditional incremental innovations in the procedures and process areas.

The requirement for the DOE to "flip flop" its innovation strategy is unprecedented in government.

## **Analyzing and Developing an Ad Campaign**

Advertising and public relations campaigns are important to organizations. They must reflect back to the customers what they want to hear about the products and services of the organization. The process of developing an ad or PR campaign is not a science but an art. A good campaign captures the essence of the organization and projects that into the market. The InnoVantage Grid can be used to assist in this process. Once the innovation profile has been established for the organization that will meet or anticipate customer needs, take full advantage of the capability of technology, and differentiate it from its competitors, that same innovation profile can be used to guide the development of all marketing and sales literature.

Pharmaco LSR is a fast growing company that handles the field tests on humans of pharmaceuticals. It had worked with an ad agency using conventional techniques to develop a series of six print media ads. The ad agency provided us with their designs and copy before releasing it to the market. We analyzed the values and resulting innovation profile represented in the ads. From this we developed a description of Pharmaco with particular emphasis on its culture. Without knowledge of the company, we were told by the ad agency and later by Pharmaco, that we had accurately described the company, and the image that they wanted to project into the market. The ad agency had done a good job of capturing the essence of the company that they wished to display to potential customers.

## **Analyzing the Innovation Profile of Organizational or Personal Development Programs**

Many times organizational or personal development programs sweep through organizations, almost like a fad. "It seems to work for one person or company so it should work for me" is the logic. These efforts meet with varying degrees of success. In spite of that, quite often their popularity continues.

One of the reasons why this type of program is not successful in all organizations is that the innovation profile that they foster is not what the market needs, or what is consistent with the organization's culture. For example, quality circles will promote incremental product, process and procedural innovations. If that is what the market needs, then the tool is useful. "Skunk works," or IBU (independent business units, are best used to promote distinctive product innovations, or to a lesser extent distinctive process innovations. Suggestion programs have a primary focus of incremental procedure innovations. The pattern of innovation resulting from the quality programs depends on the quality philosophy followed, but most of them end up promoting incremental innovations.

Glocal Vantage, Inc., PO Box 26947, Austin, TX 78755-0947, (512) 302-1935,  
[info@glocalvantage.com](mailto:info@glocalvantage.com), [www.glocalvantage.com](http://www.glocalvantage.com)

A very popular program for individuals and organizations now is Covey's Seven Habits of Highly Successful People. When we analyzed the innovation profile for the seven habits, we found an almost equal emphasis of all types of innovation. This means that if an organization, and all of the people in it, was to adopt and live the seven habits, there would be no focus of innovation in the organization. Depending on the organization and its culture, the adoption of the seven habits could raise or lower the overall amount of innovation in the organization. In either case, it would not, alone, allow the organization to improve its effectiveness and efficiency in anticipating and meeting customer needs.